



MINUTES
MEETING NO. 014
MEETING OF THE POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
MONDAY, JULY 11, 2016

A MEETING OF THE INVESTMENT COMMITTEE OF THE POLICE AND FIRE RETIREMENT SYSTEM OF THE CITY OF DETROIT WAS HELD ON **MONDAY, JULY 11, 2016** IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, SUITE 3000, DETROIT, MICHIGAN 48226

ROLL CALL:

CHAIRMAN **ROBERT SMITH** CALLED THE MEETING TO ORDER AT **10:03 A.M.** A QUORUM BEING PRESENT, ATTENDANCE WAS TAKEN BY RECORDING SECRETARY **JANET LENEAR** AND THE FOLLOWING COMMITTEE MEMBERS WERE PRESENT: JOSEPH BOGDAHN, SEAN NEARY, ROBERT SMITH (CHAIRMAN), GREGORY TROZAK, JOHN TUCKER, WOODROW TYLER AND MCCULLOUGH WILLIAMS, III (VICE CHAIRMAN)

ALSO PRESENT AT ROLL CALL:

EXECUTIVE DIRECTOR CYNTHIA A. THOMAS, ASSISTANT EXECUTIVE DIRECTOR DAVID CETLINSKI, CHIEF INVESTMENT OFFICER RYAN C. BIGELOW, INVESTMENT OFFICER MICHAEL KRUSHENA AND GENERAL COUNSEL RONALD A. KING

EXCUSED:

MARK DIAZ, COMMITTEE MEMBER, AND REBECCA SORENSEN, COMMITTEE MEMBER

MOTION #1 – JULY 11, 2016: APPROVAL OF JULY 11, 2016 AGENDA

MOVED BY COMMITTEE MEMBER WILLIAMS – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE TODAY'S **JULY 11, 2016** AGENDA SUBJECT TO ALL CLOSED SESSION MATTERS BEING ADDRESSED DURING GENERAL COUNSEL'S LEGAL REPORT. THE MOTION PASSED UNANIMOUSLY.

CEM BENCHMARKING STUDY

CHAIRMAN **SMITH** INQUIRED AS TO THE EXPECTED COMPLETION DATE FOR CEM'S BENCHMARKING STUDY AND CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** INFORMED HIM THAT THE STUDY SHOULD BE AVAILABLE IN SEPTEMBER OR OCTOBER OF THIS YEAR.

RESCHEDULING OF SEPTEMBER 12, 2016 INVESTMENT COMMITTEE MEETING

CHAIRMAN **SMITH** ALSO INFORMED THE COMMITTEE THAT THE COMMITTEE'S **SEPTEMBER 12, 2016** MEETING HAS BEEN RESCHEDULED TO **SEPTEMBER 19, 2016**. A NOTICE REFLECTING SAID RE-SCHEDULING WILL BE POSTED ONLINE, WITHIN THE OFFICES OF THE RETIREMENT SYSTEMS AND ON THE FIRST-FLOOR BULLETIN BOARD OF THE COLEMAN A. YOUNG MUNICIPAL CENTER.

MOTION #2 – JULY 11, 2016: APPROVAL OF MAY 16, 2016 MINUTES

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE THE COMMITTEE'S **MAY 16, 2016** MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. COMMITTEE MEMBER NEARY ABSTAINED.

MOTION #3 – JULY 11, 2016: APPROVAL OF JUNE 27, 2016 SPECIAL MEETING MINUTES

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: TO APPROVE THE COMMITTEE'S **JUNE 27, 2016** SPECIAL MEETING MINUTES AS RECORDED AND SUBMITTED BY THE COMMITTEE'S RECORDING SECRETARY. THE MOTION PASSED UNANIMOUSLY.

CHIEF INVESTMENT OFFICER'S REPORT

CHIEF INVESTMENT OFFICER **RYAN C. BIGELOW** ADDRESSED THE FOLLOWING MATTERS:

EMPLOYER CONTRIBUTIONS: APPROXIMATELY \$170,000,000.00 WAS RECEIVED BY THE SYSTEMS

SUMMARY ASSET ALLOCATION REPORT (JUNE, 2016)

CHIEF INVESTMENT OFFICER'S REPORT - CONTINUED

RECENT INVESTMENT FUNDINGS: FUNDING FOR DEROY & DEVEREAU AND NORTHPOINTE CAPITAL SHOULD OCCUR AT MONTH'S END. EQUUS PARTNERS WAS FUNDED IN MARCH OF THIS YEAR; AND FUNDING FOR JAMESTOWN AND HARRISON STREET SHOULD OCCUR AT MONTH'S END. HAMILTON LANE WILL MONITOR THE SYSTEM'S PRIVATE EQUITY INVESTMENTS.

MR. BIGELOW THEN INTRODUCED ACCOUNTING DEPARTMENT INTERN **KRISTI GRDEN** TO THE COMMITTEE, NOTING THAT SHE'S WORKING CLOSELY WITH STOUT, RISIUS & ROSS AND MANY OF THE SYSTEM'S REAL ESTATE FUND MANAGERS COLLECTING DATA REQUIRED TO VALIDATE THE VALUATION OF THE SYSTEM'S REAL ESTATE INVESTMENTS, RE: AUDIT.

MR. BIGELOW THEN ASKED INVESTMENT OFFICER **MICHAEL KRUSHENA** TO DISCUSS THE 2015 GASB 67/68 REPORTS. **MR. KRUSHENA** ADDRESSED SAME, FOCUSING OF THE SYSTEM'S EXPECTED RATE OF RETURN AND REQUIRED CITY CONTRIBUTIONS.

FOLLOWING THE CONCLUSION OF **MR. KRUSHENA'S** REPORT, CHAIRMAN **SMITH** ASKED THAT MICHIGAN DEPARTMENT OF TREASURY EXECUTIVE DIRECTOR **RONALD ROSE**, CITY OF DETROIT FINANCE DIRECTOR **JOHN NAGLICK** AND **JOHN HILL**, THE CITY'S CHIEF FINANCIAL OFFICER, BE INVITED TO ATTEND THE COMMITTEE'S **SEPTEMBER 19, 2016** MEETING TO DISCUSS THE 2015 GASB 67/68 REPORTS AS WELL AS THE CITY'S REQUIRED CONTRIBUTIONS

~CONCLUDES CHIEF INVESTMENT OFFICER'S REPORT~

MOTION #4 – JULY 11, 2016: 2015 GASB 67/68 REPORTS

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER NEARY: THAT THE COMMITTEE APPROVE THE METHODOLOGY FOR GASB'S LONG-TERM RETURN ASSUMPTION AS PRESENTED AND DISCUSSED. THE MOTION PASSED UNANIMOUSLY.

SALIENT PARTNERS

TED GARDNER AND **DAVID HICKS** DISCUSSED MLP'S (MASTER LIMITED PARTNERSHIPS) AT LENGTH AND PROVIDED THE COMMITTEE WITH AN MLP MARKET UPDATE.

~CONCLUDES SALIENT PARTNER'S PRESENTATION~

LEGAL REPORT

GENERAL COUNSEL **RONALD A. KING** ASKED THE COMMITTEE TO ENTER INTO CLOSED SESSION TO DISCUSS HIS LEGAL REPORT, ONGOING LITIGATION AND A PERSONNEL MATTER.

MOTION #5 – JULY 11, 2016: ENTERING INTO CLOSED SESSION

MOVED BY COMMITTEE MEMBER TUCKER – SECONDED BY COMMITTEE MEMBER TROZAK: THAT THE COMMITTEE ENTER INTO CLOSED SESSION TO DISCUSS GENERAL COUNSEL'S LEGAL REPORT, ONGOING LITIGATION AND A PERSONNEL MATTER. A ROLL CALL VOTE WAS TAKEN, THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE ENTERED INTO CLOSED SESSION AT **11:45 A.M.**

MOTION #6 – JULY 11, 2016: RETURNING TO OPEN SESSION

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER TYLER: THAT THE COMMITTEE RETURN TO OPEN SESSION. THE MOTION PASSED UNANIMOUSLY AND THE COMMITTEE RETURNED TO OPEN SESSION AT **12:38 P.M.**

~CONCLUDES LEGAL REPORT~

MOTION #7 – JULY 11, 2016: BOOK CADILLAC LITIGATION

MOVED BY COMMITTEE MEMBER BOGDAHN – SECONDED BY COMMITTEE MEMBER NEARY: THAT GENERAL COUNSEL IS AUTHORIZED TO PROCEED CONSISTENT WITH THE COMMITTEE'S CLOSED SESSION DISCUSSION OF THIS DATE. THE MOTION PASSED UNANIMOUSLY.

MOTION #8 – JULY 11, 2016: MCLAGAN’S INVESTMENT STAFF COMPETITIVE PAY ANALYSIS AND INVESTMENT OFFICER’S PAY INCREASE

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER BOGDAHN: THAT THE INVESTMENT COMMITTEE HEREBY APPROVES 1) A \$15,000.00 BONUS FOR THE INVESTMENT OFFICER, EFFECTIVE IMMEDIATELY, AND 2) INCREASING THE INVESTMENT OFFICER’S COMPENSATION TO \$165,000.00 ANNUALLY EFFECTIVE UPON HIS REACHING HIS EMPLOYMENT ANNIVERSARY DATE OR THE DATE ON WHICH HE BECOMES A CIVIL SERVANT (WHICHEVER OCCURS FIRST). THE MOTION PASSED UNANIMOUSLY.

RECESS

THE COMMITTEE RECESSED FOR LUNCH FROM 12:40 P.M. UNTIL 1:15 P.M.

BNY MELLON

JOHN FOX PROVIDED THE COMMITTEE WITH A SECURITIES LENDING UPDATE, FOCUSING ON REGULATIONS AND GUIDELINES.

~CONCLUDES BNY MELLON’S PRESENTATION~

WILSHIRE ASSOCIATES

DAVID LINDBERG AND **CALVIN BORN** PROVIDED THE COMMITTEE WITH A CAPITAL MARKET UPDATE AND DISCUSSED MANAGER PERFORMANCE THROUGH MAY, 2016.

~CONCLUDES WILSHIRE’S PRESENTATION~

COURTLAND PARTNERS

MICHAEL MURPHY DISCUSSED REAL ESTATE PORTFOLIO PERFORMANCE AND RECOMMENDED THAT THE COMMITTEE CONSIDER INVESTING UP TO \$25,000,000.00 WITH GREENFIELD ACQUISITION PARTNERS, VIII AND DRA GROWTH AND INCOME, IX.

~CONCLUDES COURTLAND PARTNERS’ PRESENTATION~

MOTION #9 – JULY 11, 2016: GREENFIELD ACQUISITION PARTNERS, VIII

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND COURTLAND PARTNERS, THE SYSTEM'S REAL ESTATE CONSULTANT, THE SYSTEM INVEST BETWEEN \$20,000,000.00 AND \$25,000,000.00 WITH GREENFIELD ACQUISITION PARTNERS, VIII (VALUE-ADDED STRATEGY), SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT/SIDE LETTER SATISFACTORY TO THE SYSTEM AND THE SYSTEM'S GENERAL COUNSEL, AND ON-SITE DUE DILIGENCE. THE MOTION PASSED UNANIMOUSLY.

MOTION #10 – JULY 11, 2016: DRA GROWTH AND INCOME, IX

MOVED BY COMMITTEE MEMBER NEARY – SECONDED BY COMMITTEE MEMBER TYLER: THAT BASED UPON THE RECOMMENDATION OF THE COMMITTEE'S CHIEF INVESTMENT OFFICER AND COURTLAND PARTNERS, THE SYSTEM'S REAL ESTATE CONSULTANT, THE SYSTEM INVEST BETWEEN \$20,000,000.00 AND \$25,000,000.00 WITH DRA GROWTH AND INCOME, IX (VALUE-ADDED STRATEGY), SUBJECT TO THE EXECUTION OF AN INVESTMENT MANAGEMENT AGREEMENT/SIDE LETTER SATISFACTORY TO THE SYSTEM AND THE SYSTEM'S GENERAL COUNSEL, AND ON-SITE DUE DILIGENCE. THE MOTION PASSED UNANIMOUSLY.

ADJOURNMENT

THERE BEING NO FURTHER BUSINESS BEFORE THE INVESTMENT COMMITTEE, CHAIRMAN **SMITH** ADJOURNED THE MEETING AT **3:00 P.M.** UNTIL **MONDAY, SEPTEMBER 19, 2016**, AT **10:00 A.M.**, IN THE CONFERENCE ROOM OF THE RETIREMENT SYSTEMS, 500 WOODWARD AVENUE, SUITE 3000, DETROIT, MICHIGAN 48226.

RESPECTFULLY SUBMITTED,



ASSISTANT EXECUTIVE DIRECTOR

MINUTES PREPARED BY: JANET S. LENEAR, RECORDING SECRETARY

MINUTES REVIEWED BY: RYAN C. BIGELOW, CHIEF INVESTMENT OFFICER |